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Mexican Market for Fresh Fruit Products

Report Categories:

Fresh Fruit

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Report Highlights:

In 2008, U.S. exports of fresh fruit reached \$423 million, a record level. Although, Mexico is a fresh fruit producer, there are some fruits that Mexico cannot produce. As a result, Mexico relies on imports mainly from the United States. However, U.S. fresh fruit exports to Mexico may decrease during this year as a result of newly applied tariffs on six different fresh fruit products coming from the United States.

General Information:

I. MARKET OVERVIEW

Mexico is the second largest export market for U.S. deciduous fruit. U.S. exports of fresh fruit to Mexico in 2008 reached \$423 million, a record level. However, U.S. exports to Mexico may decrease in 2009 due to the economic downturn and the newly introduced duties that have been applied to five

of the most imported fresh deciduous fruits (grapes, pears, apricots, cherries, and strawberries) which accounted for \$170 million in 2008.

Mexico is famous for the many varieties of fruit that are produced locally. Over 20 varieties of fruit are produced in Mexico. Mexico consumes approximately 95% of domestically produced fruit and is blessed with good environmental conditions. The depreciation of the peso and the newly introduced increase in duties for some imports of U.S. fruits will benefit Mexican farmers and could result in an increase in Mexican production. In addition, for the past few years, the Mexican industry has introduced a slogan that says “consume lo que el país produce” or “consume what the country produces”. The program is designed to encourage Mexicans to consume more locally produced products.

Mexico will continue to be a producer of fruits and is currently the second largest supplier of fruits to the United States. U.S. imports from Mexico are estimated to be around \$1.7 billion.

Table 1: Advantages and Challenges for U.S. Exporters of Fresh Fruits to Mexico

Advantages	Challenges
U.S. proximity resulting in fast and fresher shipments to Mexico	Depreciation of the Mexican Peso affects demand for high quality products
High recognition of U.S. products and associated as high quality	Mexican retaliation for abolishment of the U.S. trucking program is affecting 6 U.S. fruits
Mexican orchards that were converted to other crops or abandoned.	Higher cost of imports
Lack of investment, and high cost of production in Mexico	Mexican farmers seeking to limit imports of fresh fruit and vegetables to protect their crops
In-country U.S. produce associations working to market and promote their products	Strong third country competition, primarily from Chile and Argentina
U.S. offers a wider selection of varieties not available in Mexico	Consumers will substitute imported products with lower priced locally grown fruit
Availability of U.S. products in the retail sector	Economic downturn is impacting consumption and consumer incomes
Fruit from the U.S. have lower transportation costs compared to other supplier countries	Lack of adequate storage facilities
Fruit and vegetable growers are encouraging Mexican consumers to increase consumption	Inadequate handling procedures at the border affecting the quality of the products
In Mexico harvesting technology is not state of the art and limited arable land	Free Trade Agreements between Mexico and approximately 40 other countries

Mexico's water availability problems and poor irrigation systems in most rural areas	The 2009 Mexican budget for agriculture increased 9.8%. 16.8 billion pesos was allocated for the Procampo subsidy program.
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SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

One of the major players in fresh fruit distribution are the Centrales de Abastos (Central Markets) which are throughout the country. Importers/distributors usually have branch offices at the Mexico City Central de Abastos. Local and regional distributors and markets all around Mexico purchase these products because only a few are able to cover the entire country, primarily due to lack of appropriate storage facilities. The Central de Abasto in Mexico City is the largest and the most important. This Central Market distributes to 30 smaller regional and local central markets located around Mexico, with Guadalajara and Monterrey being the second and third largest, respectively. The major buyers of fruit from the Central de Abastos in Mexico City are the public and street markets. These markets are comprised of stationary neighborhood markets, and ambulatory street markets called "tianguis"

The retail sector is the second most important buyer of fresh fruit. Supermarkets are becoming more and more interested in procuring directly from suppliers, bypassing traditional distributors. The major retailers continue to develop increasingly sophisticated distribution systems. However, for frozen foods and perishables, retail stores are still heavily dependant on local distributors, although Costco procures most of their products directly.

Upscale hotels and restaurants demand quality products that will be consumed by both domestic and foreign guests and customers. The most recent trend is for importers and distributors to limit the amount of fruit purchases from the United States because the slowdown in economic activity, the devalued peso and the increase in import duties that were implemented on March 19, 2009. Hotel and restaurant owners have expressed to their distributors that product origin is not important as long as they get quality products. ^[1]

According to Mexico's Secretariat of Tourism, there are 14,970 hotels in Mexico. 867 are considered upscale hotels with 153,007 rooms. In 2008, Mexico had 22.6 million foreign tourists. The most frequented locations were: Cancun, Mexico City, Los Cabos, Puerto Vallarta, Monterrey, Cozumel, Mazatlan, etc. [2]

The third most important buyer of fruits and vegetables from the Mexico City Central de Abastos are the mom & pop stores, and convenience stores that offer limited selection of products.

Mexico is a large producer of fruit and a net exporter. However, there are some fruits that Mexico cannot produce due to the limitation of suitable land and/or because Mexican production is not sufficient to meet local demand. As a result, Mexico relies on imports, mainly from the United States. Currently, Mexico imports approximately 20 different kinds of fresh fruits from approximately 20 different suppliers. The U.S. is by far Mexico's largest supplier of fresh fruit followed by Chile, Argentina and Canada, respectively.

Table No. 2: Total U.S. Exports to Mexico of Fruit (Values 1,000 Dollars/Quantities Reported in Metric Tons 2007-2008)

	Quantity 2007	Value 2007	Quantity 2008	Value 2008	% Change
Fresh Fruit, Deciduous	285,988.0	297,777	353,403.2	378,073	26.97
Fresh Fruit, Other	13,270.5	23,774	21,128.5	37,181	56.39
Fresh Melons	12,052.0	4,758	20,627.5	8,197	72.28
TOTAL	311,310.5	326,309	395,159.2	423,451	29.77

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

**Table No. 3: Mexican Imports of U.S. Fruits (2008)
(1,000 U.S. Dollars)**

Product	Value
Apples	221,069,000
Apricots	3,910,561
Cherries	3,957,285
Grapes	69,910,457
Peaches	2,774,088
Pears	80,074,000
Plums	133,239
Kiwis	3,007,535
Strawberries	30,959,706

Source: Secretariat of Economy.

1. Entry Strategy

Importers/distributors are a key component to U.S. export sales in Mexico. Identifying a good importer/distributor in Mexico is critical to successfully exporting items to Mexico and this practice will also reduce the number of unwanted problems. A good distributor should promote sales and ensure that the imported products are available at the point of sales. Importers/distributors serve as a

link to buyers and in-country representatives and have the expertise to handle complicated regulations and can trouble-shoot problems that importers can face at the border.

U.S. firms should consider using a variety of marketing tools to effectively distribute their products in Mexico. These promotional activities could include:

- Participating in trade shows;
- Preparing brochures and promotional materials in Spanish;
- Hosting technical seminars to inform end-users, distributors and retailers of new technologies, innovations and product advantages; and
- Being involved with the Agricultural Trade Office in organizing marketing campaigns to support American companies exporting to Mexico.

The Agricultural Trade Offices in Mexico City and Monterrey provide services to help you access the market. In addition to sponsoring U.S. Pavilions (see below) the office can provide information about local distributors and contacts. Below are the primary food exhibitions in Mexico:

ABASTUR 2009

When: September 30 - October 2, 2009

Where: Centro Banamex, Mexico City

Contact: Lourdes Guzmán, US Agricultural Trade Office (ATO)-Mexico City

Tel: (011-5255) 5140 2672

Fax: (011-5255) 5535 8357

Email: lourdes.guzman@usda.gov

Web Page: www.feriasalimentarias.com

Show type: Mexico's largest Hotel and Restaurant show

EXPO INTERNACIONAL NATURISTA ANIPRON 2010

When: February, 2010

Where: WTC World Trade Center, Mexico City. Sponsored by Nutrisa

Contact: ANIPRON-Asociación Nacional de la Industria de Productos Naturales, A.C.

Tel: (011-5255) 5663-1300 or 1295 or 1297

Fax: (011-5255) 5662 2221

Email: anipron@anirpon.org

Web Page: www.anipron.org

Show type: Mexico's largest show for natural and healthy products

ANTAD 2010

When: March, 2010

Where: Expo Guadalajara Convention Center, Guadalajara, Jal.

Contact: Rosa Ma. Rivera, US Agricultural Trade Office (ATO)-Mexico City

Tel: (011-5255) 5140 2657

Fax: (011-5255) 5535 8357

Email: rosa.rivera@usda.gov

Web Page: www.antad.org.mx

Show Type: Mexico's largest retail and supermarket show

2. Market Size, Structure, Trends

The Mexican agricultural sector performed relatively well prior to the world economic slowdown that began in late 2008. Overall, in 2008, the sector grew by 3.24%. This percentage was substantially higher than the 1.35% growth recorded for the entire Mexican economy in 2007. More specifically, in the final quarter of 2008, the agricultural sector expanded by a rate of 3.3% compared to a decrease of 4.2% and 0.9% for the industrial and service sectors, respectively. In 2008, the production of white maize, sugar, milk, eggs, meat and other products reached a record high.

[3]

Table No. 4: Fresh Fruit Production Monitored by SAGARPA
(Values in 1,000 Pesos/Quantities Reported
In Metric Tones 2007)

PRODUCT	PRODUCTION	VALUE
Apples	505,078	2,837,217
Grapes	356,258	4,518,464
Peaches	192,260	1,185,558
Strawberries	176,396	1,449,827
Plums	70,024	218,160
Pears	24,739	108,180
Apricots	1,326	6,332
TOTAL	1,133,821	2,961,725

Source: SAGARPA/SIAP, Secretariat of Agriculture, Rural Development,
Fisheries and Food. Exchange rate: 1 USD = 13.00 pesos

U.S. exports to Mexico are expected to decrease for 2009 due to the weak Mexican peso, the economic downturn and the application of new retaliatory duties on U.S. products. The Mexican Secretariat of Economy (SE) published an announcement that modified import tariffs on 90 U.S. agricultural and

industrial products as a reaction to the U.S. eliminating the U.S.-Mexico Cross-Border Trucking Demonstration Project. From this list, 36 agricultural products were impacted including six different varieties of fresh fruits. Please refer to the table below:

Table No. 5: New Import Tariffs Applied to Fresh Fruits
Effective date: March 19, 2009

HS Code	Product	New Tariff
0804.10.99	Dates, Figs, Pinaples,Guavas, Mangos	20%
0806.10.01	Grapes	45%
0808.20.01	Pears	20%
0809.10.01	Apricots	20%
0809.20.01	Cherries	20%
10.10.01	Strawberries	20%

Source: SAGARPA/SIAP, Secretariat of Agriculture, Rural Development, Fisheries and Food.

Mexico has a population of approximately 110 million inhabitants, of which 51% are women and 49% men. 70 percent of the population is urban and are dispersed in 126 major cities. 20 percent of the rural population lives in communities of less than 2,500 inhabitants and the remaining 10% are classified as semi-urban and live in communities with between 2,500 to 10,000 inhabitants. The Mexico City metropolitan area has an estimated population of 23 million of which 99.8 percent are urban and .2% rural. Mexico City has a concentration of economic, political and cultural resources not seen anywhere else in the country. The second largest city is Guadalajara, with 6.7 million people and is located about 290 miles northwest of Mexico City. Monterrey comes in third with 4.2 million people and is located in the northern border state of Nuevo Leon and is considered the center of Mexico's iron and steel industry. ^[4]

Despite the large supply of fruits and vegetables available throughout the country, Mexicans only consumed an average of two servings of fruits or vegetables per day. In 2003, Mexico's Secretariat of Agriculture launched a program called "Cinco por Dia" (Five per Day) to mirror the famous U.S. "5 a Day" program and is aimed at promoting a healthier diet among Mexicans. During its biggest promotion campaign, consumption of fruits and vegetables increased 30%. No other programs have been launched since then.

Mexican consumers are changing their buying habits in several ways. First, some are buying the best quality fruit but in smaller quantities. Second, some prefer quality to cost, and believe that domestic produce is higher quality and fresher because it does not have to be shipped. Third, others choose to buy domestic seasonal fruit to take advantage of the lower price. Most Mexican consumers make their

purchasing decisions based on price and taste more than product origin. ^[5]

3. Company Profiles

In Mexico there are around 200 hundred companies that import fruits and vegetables, but 25 of these firms control 60% of all imports. These intermediaries sell their merchandise to other distributors and/or large processing companies; therefore, some of the large retail or wholesale chain stores do not import these products directly. However, more of the large chains are moving towards direct imports through their distribution centers.

SECTION III. MARKET ACCESS

Tariff, Taxes, Quotas: As specified under NAFTA, most import tariffs for fresh fruits and vegetables reached zero on January 1, 2008. However, an anti-dumping duty from 0 to 47.05 percent may apply to the varieties of red and golden delicious apples depending on the exporting company. Most products exported from Northwest Fruit Exporter (NFE) companies are applied a duty of 47.05. (Please refer to reports MX6094 and MX7050). Furthermore, on March 19, 2009, the Mexican Secretariat of Economy (SE) increased import tariffs for six different varieties of fresh fruits in retaliation for the abolishment of the U.S.-Mexico Cross-Border Trucking Demonstration Project. (Please refer to Table No.3)

Mexico maintains a 15% value-added tax (VAT, or IVA in Spanish). Mexican Customs collects the IVA on foreign transactions upon entry of the merchandise into the country. However, this does not apply for imports of fresh fruits and vegetables. Customs brokers use total figures to calculate their fees, which are 0.5 percent on average, plus any storage or handling fees.

Phytosanitary or Sanitary Requirements: Products must comply with applicable sanitary regulations and labeling requirements. (Please refer to MX4309).

Imports of fresh fruits and vegetable are subject to certain mandatory Mexican Official Standards called “NOM” (Norma Oficial Mexicana) such as NOM-008-FITO-1995. This NOM has been updated five times, twice in 2002; twice in 2006, and once in 2008. For more specifics please visit the following website: <http://148.243.71.63/default.asp?doc=569>. In addition, grapes must comply with NOM-120-SCFI-1996.

SECTION IV. KEY CONTACTS AND FURTHER INFORMATION

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California Cling Peach Advisory Board
California Strawberry Commission
California Tree Fruit Agreement
California Pears Advisory Board
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Other Relevant Reports:

[MX8307 - The Mexican Market for the HRI Food Service Industries](#)

MX 8308 - The Mexican Caribbean Market

MX8310 - HRI

[MX7306 - Exporter Guide Report](#)

^[1] Distribuidora de Alimentos del Centro/Martin Almeira. Phone call 04/07/2009

Bautista Quality/Cervando Bautista. Phone call 04/08/2009

^[2] Secretariat of Tourism, Datatur website

^[3] El Campo Puede Crecer_. El Universal 03/27/09

^[4] Value Marketing Seminar at ANTAD March 12, 2009

INEGI – website April 2009

^[5] Aligen/Ernesto Cordero – phone call 04-08-2009

Grupo Bebo/Moises Velazquez -phone call 04-02-2009